

**Governmental Health Group of Rhode Island  
Minutes  
Regular Meeting of the Board of Directors  
Wednesday, December 20, 2006**

A regular meeting of the Board of Directors was held on Wednesday, December 20, 2006, at the East Bay Educational Collaborative, 317 Market Street, Warren, Rhode Island.

**Roll Call:**

**Board of Directors**

Jane F. Correia	Director	Present
Shawn J. Brown	Director	Present
David P. Faucher	Director	Present
Robert Mushen	Director	Present
Miriam Goodman	Director	Present (at 10:30 am)
Nancy Lalli	Director	Present
Glenn Steckman III	Director	Excused
Robert Murray	Director	Present

**Alternate Board Members:**

Edward Mara	Alternate	Excused
Catherine McLeish	Alternate	Present
Vacant	Alternate	Excused
Harold "Ron" Devine	Alternate	Excused
Maureen Macera	Alternate	Excused
Michael Saunders	Alternate	Excused
Robin Reasor	Alternate	Present
Joanne Vecchio	Alternate	Excused

**Others Present**

Lynne Dible	Secretary	Present
Stephen Zubiago	Nixon Peabody LLP	Excused
Kevin Walsh	Group Benefits Strategies	Present
Dana Wilson	Carlin, Charron & Rosen, LLP	Present (at 10:30am)
William Thompson	Milliman	Present (at 10:30am)

**Call to Order:**

President Correia called the meeting to order at 9:35 a.m. Secretary Dible reported that a quorum was present.

**Agenda:**

A motion was made by R. Mushen, seconded by S. Brown, to approve the agenda for the 12/20/2006 meeting. The motion was approved unanimously.

**Secretary's Report:**

A motion was made by D. Faucher, seconded by S. Brown, to approve the minutes (previously emailed) of the regular meeting held 11/22/2006. The motion was approved unanimously.

**Treasurer's Report:**

S. Brown reported that the FY2006 Audit was completed a couple of days prior to the meeting. He explained that some account reclassifications needed to be completed in order for the financial reports to be accurate for the year. The November 2006 financial report will be completed and emailed out next week, once these adjustments have been incorporated into the reporting. S. Brown reviewed the final FY2006 Balance Sheet and Income Statement based on the final audit report. A motion was made by D. Faucher, seconded by R. Reasor, to approve the final FY2006 Balance Sheet and Income Statement. The motion was approved unanimously,

S. Brown explained that claims are still consistently running between \$800K and \$1M per week. He added that the cash position for the month of November 2006 was strong, with most of the cash invested in a Citizen's Bank PIP account, which has an interest rate of 4.3%. This account earned \$25,000 in interest income for the month. He discussed the idea of adding a CD portfolio to the investment strategy, investing \$1.5M in short term CD's with varying maturities, but none would last longer than the current GHGRI contract. He added that currently CD's have an interest rate of 5.0% and diversifying the portfolio would improve the investment plan for the GHGRI.

S. Brown reported that D. Wilson of CCR and W. Thompson of Milliman would be arriving in about an hour to discuss the year-end audit and the calculation for the IBNR reserve and also begin the discussion with the group regarding an amount to be held for a claims settlement expense reserve, for the purpose of covering costs to adjudicate and pay claims. W. Thompson would also review his recommendations for how much reserve the GHGRI should hold to cover any claims fluctuation, to plan for any claims experience that exceed the total expected claim amount funded by premiums. S. Brown added that he expected this discussion to lead to another discussion on how to protect the GHGRI surplus, adding that the GHGRI needs a mechanism to preserve each member's interest in the surplus. The undistributed members' surplus is reported in the FY2006 year-end audit as \$915K.

K. Walsh reviewed some bullet notes that he prepared at the Board's request, highlighting and explaining the benefits of being a member of GHGRI. Discussion followed regarding the fact that the GHGRI was a long-term endeavor and the collective knowledge gained from the group was one of the greatest advantages of being a member.

**Warrants:**

A motion was made by S. Brown, seconded by R. Murray, to approve the revised January 2007 Warrant Summary. K. Walsh reported that the revised warrant included a \$3,900 invoice from CCR for audit services. The motion was approved unanimously.

**Self-Funded Cost vs. Funding Analysis:**

K. Walsh provided an overview of the Self-Funded Cost vs. Funding Analysis, which reflected an overall cost/funding ratio of 92% as of the end of November 2006, which is down from 94% last month. He reported that both Central Falls Schools and Tiverton Town and Schools had cost vs. funding ratios that were somewhat high this month. He reported that there were no excess claims over \$200K for the fiscal year, but there were two claims with 50% losses. He added that there were no changes to the Disputed Claims Report since last month, and that GBS is working with Blue Cross to ensure they review and correct the reported disputed claims. K. Walsh commented that he was pleased to see that the overall loss ratio had calmed down after the first five months of the fiscal year.

**Old Business:**

**DBR approval / GHGRI Officer Insurance status.** J. Correia reported that she received a letter from T. Dwyer of the Trust acknowledging receipt of the November 27, 2006 letter from the GHGRI asking for the Trust's Underwriting Committee to formally consider the GHGRI's request for Director's and Officer's liability insurance coverage. In the letter, a copy of which was distributed, T. Dwyer stated that the Trust would consider the request and be in touch with the GHGRI in the latter part of January 2007. D. Faucher reported that he recently met with Webster Bank representatives and they offered to provide the GHGRI with a quote for Directors and Officers liability insurance. He has not heard back from them to date. K. Walsh and S. Brown added that they have also received applications from other agents interested in offering the liability insurance for directors and officers to the GHGRI. A motion was made by D. Faucher, seconded by S. Brown, to authorize J. Correia as president of the Board of GHGRI to sign and submit any additional applications to insurance companies in order to secure directors and officers liability insurance coverage for the GHGRI in the event the Trust is unable to provide this coverage. The motion was approved unanimously.

J. Correia added that the email received by the Executive Board from S. Zubiago on December 8, 2006 is very encouraging regarding the approval by DBR of the revised draft Consent Order.

**Surplus Distribution Models.** K. Walsh explained that as requested at the last Board meeting of the GHGRI, he provided two surplus distribution models for consideration, one is based on enrollment count at 6/30/2006 and the other is based on total annual paid premium at 6/30/2006. At last month's meeting it was determined that surplus distributions are to be based on subscriber counts, in accordance with the GHGRI Agreement. K. Walsh also provided for the group, a Fixed Cost Allocation Model based on subscriber counts at 6/30/2006. The purpose of this model is to address the allocation of a surcharge back to the group if needed. D. Faucher reminded the group that numbers can swing quite a bit from year to year and to have this calculation in place is a good idea in order to be prepared for a year when it would be required.

**FY2006 GHGRI Audit / IBNR Calculation.** At 10:30am, D. Wilson of CCR and W. Thompson of Milliman arrived to present the year-end audit report, recommended IBNR reserve and Claims Fluctuation reserve calculations and recommendations.

D. Wilson reviewed the year-end FY2006 audit with the Board, explaining that the assets included a \$270K receivable as of 6/30/2006 to reflect estimated pharmaceutical rebates for the fiscal year. He explained that the liabilities included a \$2.85M IBNR loss reserve and \$292K accrued claims settlement and program administrative expense to cover the 10.25% retention charges on the \$2.85M IBNR. He reported that at year end, the recommended Members' contingency reserve, also called the Claims fluctuation reserve, is \$2.2M, leaving \$915K as the Undistributed members' surplus at 6/30/2006. He added that before the report could be finalized, the Board would need to decide at what level to fund the Members' contingency reserve. The \$2.2M included in the report reflects the recommendation by Milliman to ensure with 95% certainty that there are sufficient funds to cover the total claim liability for the year.

W. Thompson of Milliman reported that the IBNR of \$2.85M plus the additional \$292K for settlement expense is recommended as of June 30, 2006, based on the limited experience the group has had. He added that the \$2.2M claims fluctuation reserve is considered a "shock absorber" for years with high claims and acts as aggregate stop loss insurance. He explained that the group can possibly do away with the \$200K specific stop loss insurance coverage and may want to consider raising the coverage to an amount above \$200K in the future. He added that he would put together a report analyzing expected large loss claims for a group this size, with approximately 11,000 lives.

A motion was made by S. Brown, seconded by D. Faucher, to establish the Members' contingency reserve at \$2.2M at 6/30/2006. The motion was approved unanimously.

W. Thompson of Milliman went on to discuss his Surplus Allocation Formula calculation that was forwarded to members of the GHGRI on December 18, 2006. He explained the concept that he used was based upon treating each year separately when allocating surplus. He continued to explain the difference between ownership in the group, also known as the total Members' Surplus versus the maximum that can be distributed. W. Thompson strongly recommended to the group that a Surplus Allocation Formula be put into place prior to any real distributions taking place.

Having completed their reports to the GHGRI Board, both D. Wilson of CCR and W. Thompson of Milliman thanked the group and excused themselves from the meeting.

A motion was then made by S. Brown, seconded by D. Faucher, to have GBS work with the GHGRI Executive Committee on the following three policies:

1. Fixed Cost Allocation Calculation,
2. Surplus Funds Calculation, and
3. Calculation of any other distribution made by the GHGRI

The motion was approved unanimously.

**Stop Loss Insurance status.** To be discussed further at the January 2007 meeting.

**7/07 Health Rate Increase Analysis** – This item will be discussed further at next month's meeting.

**Adjournment:**

A motion to adjourn at 11:50 a.m. was made by S. Brown, seconded by D. Faucher. The motion was approved unanimously.

The next regular meeting is January 24, 2007 at the Portsmouth Town Hall.

Respectfully submitted,

Lynne S. Dible, Secretary